GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2286
ANSWERED ON:29.07.2016
Chit Fund Frauds
Gogoi Shri Gaurav;Kamaraaj Dr. K.;Khan Shri Md. Badariddoza;Raj Dr. Udit;Sathyabama Smt. V.;Scindia Shri Jyotiraditya Madhavrao;Venkatesh Babu Shri T.G.

Will the Minister of FINANCE be pleased to state:

a) whether the Supreme Court has recently asked the Government to chalk out a comprehensive action plan/norms to clamp down on illegal deposits and collective investments scheme popularly known as Chit Fund;

b) if so, the details thereof; and

c) the steps taken to prevent such illegal deposit schemes in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(a) to (c): Hon'ble Supreme court in the matter of Humanity Salt Lake Vs. Union of India {Writ Petition (Civil) No. 928 of 2013} has directed the Government to submit the steps taken by the Government for controlling the menace of illegal collection of money in the garb of collective investment/ chit fund schemes. In this regard, Government has, inter-alia, taken the following steps to prevent illegal deposit schemes:-

i. Reserve Bank of India (RBI) has constituted a mechanism in the form of State Level Coordination Committees (SLCCs) in all the States / UTs. The primary purpose of this forum is to facilitate information sharing among the Regulators and Enforcement agencies about the mobilization/ acceptance of deposits by unauthorized entities. SLCCs are chaired by the Chief Secretary of the State and its meetings are held quarterly. For regular follow-up on the cases, sub-committees of the SLCCs have also been formed in 20 states/ UTs. The sub-committees hold meetings in between two SLCC meetings as and when necessary.

ii. Draft Model Rules under the Prize Chits & Money Circulation Schemes (Banning) Act, 1978 have been formulated by the Government and circulated to all State Governments / UTs for adoption.

iii. 23 States / UTs have enacted the Protection of Depositors in Financial Establishments Act (PID Acts) to protect the interest of depositors of financial institutions and are adequately empowered to take action against any scheme promising abnormal return.
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